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THE PRESIDENT'S MESSAGE.

A REVIEW OF THE AFFAIRS OF OUR NATIONAL GOVERNMENT.

RECOMMENDATIONS TO CONGRESS.

Currency Reform and Cuban Question
The Most Salient Features of the Document.

To the Senate and House of Representatives:

It gives me pleasure to extend greeting to the Fifty-fifth congress assembled in regular session at the seat of government, with many of whose senators and representatives I have been associated in the legislative service. Their meeting occurs under favorable conditions, justifying sincere congratulation and calling for our grateful acknowledgments to a beneficent providence, which has so signally blessed and prospered us as a nation. Peace and good will with all the nations of the earth continue unbroken.

A matter of great satisfaction is the growing feeling of fraternal regard and unification of all sections of our country, the incompleteness of which has too long delayed realization of the highest blessing of the Union. The spirit of patriotism is universal and is ever increasing in fervor. The public questions which now most engross us are lifted far above either partisanship, prejudices or former sectional differences. They affect every part of our common country alike and permit of no division on ancient lines. Questions of foreign policy, of revenue, the soundness of the currency, the inviolability of national obligations, the improvement of the public service, appeal to the individual conscience of every earnest citizen to whatever party he belongs or in whatever section of the country he may reside.

The extra session of this congress which closed during July, last, enacted important legislation, and while its full effect has not yet been realized, what it has already accomplished assures us of its timeliness and wisdom. To test its permanent value further time will be required and the people, satisfied with its operation and results thus far, are in no mind to withhold from it a fair trial.

Tariff legislation having been settled by the extra session of congress, the question next pressing for consideration is that of the currency.

The work of putting our finances upon a sound basis, difficult as it may seem, will appear easier when we recall the financial operations of the government since 1866. On June 16 of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On Jan. 1, 1879, these liabilities had been reduced to \$443,889,495.88. Of our interest bearing obligations, the figures are even more striking. On July 1, 1866, the principal of the interest bearing debt of the government was \$2,882,381,908. On July 1, 1893, this sum had been reduced to \$535,087,100, or an aggregate reduction of \$1,747,264,108. The interest bearing debt of the United States on Dec. 1, 1897, was \$47,365,620. The government money now outstanding (Dec. 1) consists of \$346,881,016 of United States notes, \$107,793,240 of treasury notes issued by authority of the law of 1890, \$44,968,504 of silver certificates, and \$61,286,761 of standard silver dollars.

No Time to Hesitate.

With the great resources of the government and with honorable example of the past before us, we ought not to hesitate to enter upon a currency revision which will make our demand obligations less onerous to the government and relieve our financial laws from ambiguity and doubt.

The brief review of what was accomplished from the close of the war to 1893 makes unreasonable and groundless any distrust, either of our financial ability or soundness; while the situation from 1893 to 1897 must admonish congress of the immediate necessity of so legislating as to make the return of the conditions then prevailing impossible.

There are many plans proposed as a remedy for the real evil. It is not that our currency of every kind is not good, or every dollar of it is good—good because the government's pledge is out to keep it so, and that pledge will not be broken. However, the guaranty of our purpose to keep the pledge will be best shown by advancing toward its fulfillment.

The evil of the present system is found in the great cost to the government of maintaining the parity of our different forms of money, that is, keeping all of them at par with gold. We rely cannot be longer heedless of the burden this imposes upon the people, and under fairly prosperous conditions, while the past four years have demonstrated that it is not only and expensively charge upon the government, but a dangerous menace to the national credit.

It is manifest that we must devise some plan to protect the government against bond issues for repeated redemptions. We must either curtail the opportunity for speculation, made possible by the multiplied redemptions of demand obligations, or increase the gold reserve for their redemption. We have \$900,000,000 of currency which the government is kept at par with gold. The government is obliged to redeem in gold but the banks are not. The government is obliged to keep equal with all its outstanding currency and its receipts are to be paid in gold. They are paid in every kind of money but gold, and the only means by which the government can with certainty get gold is by borrowing. It can get it in no other way when it most needs it. The

government without any fixed gold revenue is pledged to maintain gold redemption, which it has steadily and faithfully done, and which, under the authority now given, it will continue to do.

The law which requires the government, after having redeemed its United States notes, to pay them out again as current funds, demands a constant replenishment of the gold reserve. This is especially so in times of business panic and when the revenues are insufficient to meet the expenses of the government. At such times the government has no other way to supply its deficit and maintain redemption but through the increase of its bonded debt, as during the administration of my predecessor, when \$362,815,400 of 4½ per cent bonds were issued and sold and the proceeds used to pay the expenses of the government in excess of the revenues and sustain the gold reserve. While it is true that the greater part of the proceeds of these bonds were used to supply deficient revenues, a considerable portion was required to maintain the gold reserve.

With our revenues equal to our expenses, there would be no deficit requiring the issuance of bonds. But if the gold reserve falls below \$100,000,000 how will it be replenished except by selling more bonds? Is there any other way practicable under existing law? The serious question then is, shall we continue the policy that has been pursued in the past; that is, that when the government reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent those recurring drains upon the gold reserve? If no further legislation is had and the policy of selling bonds is to be continued, then congress should give the secretary of the treasury authority to sell bonds at long or short periods, bearing a less rate of interest than is now authorized by law.

As to United States Notes.

I earnestly recommend as soon as the receipts of the government are quite sufficient to pay all the expenses of the government that when any of the United States notes are presented for redemption in gold and are redeemed in gold, such notes shall be kept and set apart and only paid out in exchange for gold. This is an obvious duty.

If the holder of the United States notes the gold and gets it from the government he should not receive back from the government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the government issues an interest bearing debt to provide gold for the redemption of United States notes—a noninterest bearing debt. Surely it should not pay them out again except on demand and for gold. If they are put out in any other way, they return again to be followed by another bond issue to redeem them—another interest bearing debt to redeem a noninterest bearing debt.

In my view it is of the utmost importance that the government should be relieved from the burden of providing all the gold required for exchanges and export. This responsibility is alone borne by the government without any of the usual and necessary banking powers to help itself. The banks do not feel the strain of the gold redemption. The whole strain rests upon the government and the size of the gold reserve in the treasury has come to be with, or without reason, the signal of danger or of security. This ought to be stopped if we are to have an era of prosperity in the country. With sufficient receipts for the expenses of the government we may forego present currency, but the danger still exists, and will be ever present, menacing us so long as the existing system continues. And besides, it is in time of adequate revenues and business tranquility that the government should prepare for the worst. We cannot avoid without serious consequences the wise consideration and prompt solution of this question.

The secretary of the treasury has outlined a plan in great detail for the purpose of removing the threatened recurrence of a depleted gold reserve and save us from future embarrassment on that account. To this plan I invite your careful consideration.

I concur with the secretary of the treasury in his recommendation that national banks be allowed to issue notes to the face value of the bonds which they have deposited for circulation, and that the tax on circulating notes be reduced one-half of 1 per cent per annum. I also join him in recommending that authority be given for the establishment of national banks with a minimum capital of \$25,000. This will enable the smaller villages and agricultural regions of the country to be supplied with currency to meet their needs.

I recommend that the issue of national bank notes be restricted to the denomination of \$10 and upwards. If the suggestions I have herein made shall have the approval of congress, then I would recommend that national banks be required to redeem their notes in gold.

NO CUBAN INTERFERENCE.

President McKinley Follows in the Footsteps of His Predecessors.

The most important problem with which this government is now called upon to deal pertaining to its foreign relations concerns its duty toward Spain and to the Cuban insurrection. Problems and conditions more or less in common with those now existing have confronted this government at various times in the past. The story of Cuba for many years has been one of unrest; growing discontent; an effort toward a larger enjoyment of liberty and self control; of organized resistance to the mother country; of depression after distress and warfare and of ineffectual settlement to this by renewed revolt. For element to this by the continued possession of the continent has of Spain in the western continent has of the condition of Cuba or the policy of Spain toward Cuba not caused concern to the United States.

The prospect from time to time that the weakness of Spain's hold on the island and the political vicissitudes and embarrassments of the home government might lead to the transfer of Cuba to a continental power called forth between 1823 and 1860 various emphatic declarations of the policy of the United States to permit no disturbance of Cuba's connection with Spain unless in the direction of independence or acquisition by us through purchase; nor has there been any change of this declared policy since upon the part of the government.

The present insurrection broke out in February, 1895. It is not my purpose at this time to recall its remarkable increase or to characterize its tenacious resistance against the enormous forces massed against it by Spain. The revolt and the efforts to subdue it carried destruction to every quarter of the island, developing wide proportions and defying the efforts of Spain for its suppression. The civilized code was regarded no less so by the Spaniards than by the Cubans.

The existing conditions cannot but fill this government and the American people with the gravest apprehension. There is no desire on the part of our people to profit by the misfortunes of Spain. We have only the desire to see the Cubans prosperous and contented, enjoying that measure of self control which is the inalienable right of man, protected in their right to reap the benefit of the exhaustless treasures of their country.

The cruel policy of concentration was initiated Feb. 16, 1896. The productive districts controlled by the Spanish armies were depopulated. The agricultural inhabitants were herded in and about the garrison towns, their lands laid waste and their dwellings destroyed. This policy of the late cabinet of Spain was justified as a necessary measure of war and as a means of cutting off supplies from the insurgents. It has utterly failed as a war measure. It was not civilized warfare. It was extermination.

Against this abuse of the rights of war, I have felt constrained on repeated occasions to enter the firm and earnest protest of this government. There was much of public condemnation of American citizens by alleged arrests and long imprisonment, awaiting trial or pending judicial proceedings. I felt it my first duty to make instant demands for the release or speedy trial of all American citizens under arrest. Before the change of the Spanish cabinet in October last 22 prisoners, citizens of the United States, had been given their freedom.

Mr. Woodford's Instructions.

The instructions given to our new minister to Spain before his departure for his post directed him to impress upon that government the sincere wish of the United States to lend its aid toward the ending of the war in Cuba by reaching a peaceful and lasting result, just and honorable alike to Spain and to the Cuban people.

The reply to our note was received on Oct. 23. It is in the direction of a better understanding. It appreciates the friendly purposes of this government. It admits that our country is deeply affected by the war in Cuba and that its desires for peace are just. It declares that the present Spanish government is bound by every consideration to a change of policy that should satisfy the United States and pacify Cuba within a reasonable time. To this end Spain has decided to put into effect the political reforms heretofore advocated by the present premier without halting for any consideration in the path which, in its judgment, leads to peace. The military operations, it is said, will continue, but will be humane and conducted with all regard for private rights, being accompanied by political action leading to the autonomy of Cuba, while guarding Spanish sovereignty. This, it is claimed, will result in investing Cuba with a distinct personality; the island to be governed by an executive and by a local council or chamber, reserving to Spain the control of the foreign relations, the army and navy and the judicial administration. To accomplish this the present government proposes to modify existing legislation by decree, leaving the Spanish cortes, with the aid of Cuban senators and deputies, to solve the economic problem and properly distribute the existing debt.

In the absence of a declaration of the measures that the government proposes to take in carrying out its proffer of good offices it suggests that Spain be left free to conduct military operations and grant political reforms, while the United States for its part shall enforce its neutral obligations and cut off the assistance which it is asserted the insurgents receive from this country. The supposition of an indefinite prolongation of the war is denied. It is asserted that the western provinces are already well nigh reclaimed; that the planting of tobacco therein has been resumed and that by force of arms and new and ample reforms very early and complete pacification is hoped for.

Discussion of the question of international duties and responsibilities of the United States as Spain understands them is presented with an apparent disposition to charge us with failure in this regard. This charge is without any basis in fact. It could not have been made if Spain had been cognizant of the constant efforts this government has made at the cost of millions and by the employment of the administrative machinery of the nation at command to perform its full duty under the law of nations. That it has successfully prevented the departure of a single military expedition or armed vessel from our shores in violation of our laws would seem to be a sufficient end.

Throughout all these horrors and dangers to our own peace, this government has never in any way abrogated its sovereign prerogative of reserving to itself the determination of its policy and course according to its own high sense of right and in consonance with the dearest interests and convictions of our own people should the prolongation of the strife so demand.

Of the untold measures there remain only recognition of the insurgents as belligerents; recognition of the independence of Cuba; neutral intervention to end the war by imposing a rational compromise between the contestants; and intervention in favor of one or the other party. I speak not of forcible annexation, for that cannot be thought of. That by our code of morality would be criminal aggression.

Opposed to Recognition.

I regard the recognition of the belligerency of the Cuban insurgents as now unwise and therefore inadmissible. Should that step hereafter be deemed wise as a measure of right and duty the executive will take it.

Intervention upon humanitarian grounds has been frequently suggested and has not failed to receive my most anxious and earnest consideration. But should such a step be now taken when it is apparent that a hopeful change has supervened in the policy of Spain toward Cuba? A new government has taken office in the mother country. It is pledged in advance to the declaration that all the effort in the world cannot suffice to maintain peace in Cuba by the bayonet; that vague promises of reform after subjugation afford no solution of the insular problem, that with a substitution of commanders must come a change of the past system of warfare for one in harmony with a new policy which shall not longer aim to drive the Cubans to the "horrible alternative of taking to the thicket or succumbing in misery," that the reforms must be instituted in accordance with the needs and circumstances of the time and that these reforms, while designed to give full autonomy to the colony and to create a virtual entity and self controlled administration, shall yet conserve and affirm the sovereignty of Spain by a just distribution of powers and burdens upon a basis of mutual interest sustained by methods of selfish expediency.

It is honestly due to Spain and to our friendly relations with Spain that she should be given a reasonable chance to realize her expectations and to prove the asserted efficacy of the new order of things to which she stands irrevocably committed. She has recalled the commander whose brutal orders inflamed the American mind and shocked the civilized world. She has modified the horrible order of concentration and undertaken to care for the helpless and permit those who desire to resume the cultivation of their fields to do so, and assures them of the protection of the Spanish government in their lawful occupations. She has just released the "competitor" prisoners, heretofore sentenced to death, and who have been the subject of repeated diplomatic correspondence during both this and the preceding administration.

Not a single American citizen is now under arrest or in confinement in Cuba, of whom this government has any knowledge. The near future will demonstrate whether the indispensable condition of a righteous peace, just alike to the Cubans and to Spain as well as equitable to all our interests so intimately involved in the welfare of Cuba, is likely to be attained. If not, the exigency of further and other action by the United States will remain to be taken. When that time comes that action will be determined in the line of indisputable right and duty. It will be faced without misgiving or hesitancy in the light of the obligation this government owes to itself, to the people who have confided to it the protection of their interests and honor and to humanity.

Sure of the right, keeping free from all offense ourselves, actuated only by upright and patriotic considerations, moved neither by passion or selfishness, the government will continue its watchful care over the rights and property of American citizens and will abate none of its efforts to bring about by peaceful agencies a peace which shall be honorable and enduring. If it shall hereafter appear to be a duty imposed by our obligations to ourselves, to civilization and humanity to intervene with force it shall be without fault on our part, and only because the necessity for such action will be so clear as to command the support and approval of the civilized world.

THE HAWAIIAN QUESTION.

Ratification of the Annexation Treaty Urged by the President.

By a special message dated June 16, last, I laid before the senate a treaty signed that day by the plenipotentiaries of the United States and of the republic of Hawaii, having for its purpose the incorporation of the Hawaiian islands as an integral part of the United States and under its sovereignty. The senate having removed the injunction of secrecy, although the treaty is still pending before that body, the subject may be properly referred to in this message because the necessary action of the congress is required to determine by legislation many details of the eventual union, about the fact of annexation be accomplished, as I believe it should be.

While consistently disavowing from a very early period any aggressive policy of absorption in regard to the Hawaiian group, a long series of declarations through three-quarters of a century has proclaimed the vital interest of the United States in the independent life of the islands and their intimate commercial dependence upon this country. At the same time it has been repeatedly asserted that in no event could the entity of Hawaii statehood cease by the passage of the islands under the domination or influence or power than the United States. Under these circumstances the logic of events required that annexation, therefore offered but declined, should in the ripeness of time come about as the natural result of the strengthening ties that bind us to those islands, and be realized by the free will of the Hawaiian state.

That treaty was unanimously ratified without amendment by the senate and president of the republic of Hawaii on Sept. 10, last, and only awaits the favorable action of the American senate to affect the complete absorption of the islands into the domain of the United States.

What the conditions of such a union shall be, the political relation thereof to the United States, the character of the local administration, the quality and degree of the elective franchise of the inhabitants, the extension of the federal laws to the territory or the enactment of special laws to fit the peculiar condition thereof, and the regulation, if need be, of the labor system therein, the treaty has wisely delegated to congress. If the treaty is confirmed, as every consideration of dignity and honor requires, the wishes of congress will see to it that, avoiding abrupt assimilation of elements perhaps hardly yet fit to share in the highest franchises of citizenship and having regard to the geographical conditions, the most just provisions for self rule in local matters will be accorded to the Hawaiians. No less is due to a people who, after nearly five years of demonstrated capacity to fulfill the obligations of self governing statehood, come of their free will to merge their destinies in our body politic.

The questions which have arisen between Japan and Hawaii by reason of the treatment of Japanese laborers emigrating to the islands under the Hawaiian-Japanese convention of 1888 are in a satisfactory stage of settlement by negotiation.

YELLOW FEVER EPIDEMIC.

Necessity of Amending Laws to Make National Officers Paramount.

The recent prevalence of yellow fever in a number of cities and towns throughout the south has resulted in much disturbance of commerce and demonstrated the necessity of such amendments to our quarantine laws as will make the regulations of the national quarantine authorities paramount. The secretary of the treasury, in the portion of his report relating to the operation of the marine hospital service, calls attention to the defects in the present quarantine laws and recommends amendments thereto which will give the treasury department the requisite authority to prevent the invasion of epidemic diseases from foreign countries and in times of emergency like that of the past summer, will add to the efficiency of the sanitary measures for the protection of the people and at the same time prevent unnecessary restriction of commerce. I concur in his recommendation.

In further effort to prevent the invasion of the United States by yellow fever, the importance of the discovery of the exact cause of the disease, which, up to the present time, has been undetermined, is obvious, and to this end a systematic bacteriological investigation should be made. I therefore recommend that congress authorize the appointment of a commission by the president, to consist of four expert bacteriologists, one to be selected from the medical officers of the marine hospital service, one to be appointed from civil life, one to be detailed from the medical officers of the army and one from the medical officers of the navy.

SPECIAL MONEY ENVOYS.

President Still Hopeful of Securing an International Agreement.

Under the provisions of the act of congress, approved March 3, 1897, for the promotion of an international agreement respecting bimetallicism, I appointed, on April 14, 1897, Hon. Edward O. Wolcott of Colorado, Hon. Adlai E. Stevenson of Illinois, and Hon. Charles J. Faine of Massachusetts, as special envoys to represent the United States. They have been diligent in their efforts to secure the concurrence and co-operation of European countries in the international settlement of the question, but up to this time have not been able to secure an agreement contemplated by their mission.

The gratifying action of our great sister republic of France in joining this country in the attempt to bring about an agreement among the principal commercial nations of Europe whereby a fixed and relative value between gold and silver shall be secured, furnishes assurance that we are not alone among the larger nations of the world in realizing the international character of the problem and in the desire of reaching some wise and practical solution of it. Our special envoys have not made their final report, as further negotiations between the representatives of this government and the governments of other countries are pending and in contemplation. They believe that doubts which have been recommended in certain quarters respecting the question of maintaining the stability of the parity between the metals and kindred questions may yet be solved by further negotiations.

The Navy.

Under the head of the navy, the president points to the necessity for speedy legislation to procure the armor for the three battleships now building which would be otherwise useless. He speaks in terms of praise of the quality of our ships and thinks that the time has now arrived when the increase to which the country is committed should for a time take the form of increased facilities commensurate with the increase of our naval vessels. He refers to the lack of docks, and urges that three or four of the largest docks be provided on the Atlantic, at least one on the Pacific coast and a floating dock in the gulf. There should also be ample provision for munitions of war and an increase of officers and enlisted men. Additions are also necessary to navy yards and, as there are now on the docks five large battleships, it is recommended that an appropriation be made but for one more battleship on the Pacific coast. Several torpedo boats are also necessary.

Sale of the Kansas Pacific.

Speaking of the pending sale of the Kansas Pacific railroad, it is said that if no better bid is received than the upst price fixed by the court, the government would receive only \$2,600,000 on its claim of nearly \$18,000,000. He believes that the government has the authority to bid on the road and has di-

rected the secretary of the treasury to make the deposit of \$900,000 required to qualify as a bidder and to bid at the sale a sum at least equal to the principal of the debt to the government. He suggests, however, that in a matter so important as the government becoming a possible owner of the railroad, congress should enact some legislation to define its views. It is clear to him, however, that the government should not permit the property to be sold at a price less than one-half the principal of its debt and less than one-fifth of its entire debt, principal and interest.

Civil Service.

The president devotes considerable space to the civil service, the practical improvement of which, he says, has long been a subject of earnest discussion, and which has of late years received increased legislative and executive approval. During the past few months the service has been placed upon a still firmer basis of business methods and personal merit. While the right of deserving veteran soldiers to reinstatement has been asserted, dismissals for merely political reasons have been carefully guarded against; the examinations improved and made practical. Advance has been made by giving a hearing before dismissal upon all cases wherein incompetency is charged or demand made for the removal of officials. This last has been done without impairing the power of removal.

The Indian Troubles.

The message deals at some length with the unsatisfactory condition of affairs in the Indian Territory. The large white element is said to be without protection and without schools or other rights of citizens; leading Indians have absorbed great tracts of lands and created an aristocracy, and the friends of the Indians believe that the best interests of the five civilized tribes would be found in American citizenship. Reference is made to the failure so far of the Dawes commission to secure the consent of the tribes to an extinguishment of the tribal titles and a division of the lands. It is said that should the tribes still fail to ratify the agreement then some legislation should be had by congress.

Reciprocity Arrangements.

Mr. Kasson of Iowa is said to be now conducting negotiations with several governments for reciprocity arrangements under the tariff act, and it is believed that by a careful exercise of the powers conferred by the act, some grievances of our own and other countries in our mutual trade relations may be removed or alleviated and the volume of our commercial exchanges enlarged.

Case of Minister Merry.

Reference is made to the failure of Mr. Merry to be received as minister to Nicaragua on account of the obligation of that country to the diet of the Greater Republic of Central America. As there is no legal authority at present to accredit him to the diet, Mr. Baker, the present minister at Managua, has been directed to present his letters of recall. W. Godfrey Hunter is said to be likewise accredited to Honduras, a member of the Greater Republic, and his case is awaiting action.

Affairs in Faraway Alaska.

Attention is called to the need of prompt legislation as to Alaska and as to the extension of civil courts within that territory. There is need for surveys and for the establishment of an other land office at some point in the Yukon valley, for which an appropriation is asked. Military force is also necessary and the establishment of some sort of flexible government. If the startling reports as to the probable shortage of food for the miners be fully verified, every effort should be made at any cost to carry them relief.

The Seal Conference.

Reference is made to the recent conferences at Washington on the subject of the protection of seal life, the result of which place beyond controversy, it is said, the duty of the governments concerned to adopt measures without delay for the preservation of the herds. Negotiations to this end are now in progress.

International Arbitration.

International arbitration is declared by the president to represent the best sentiment of the civilized world and treaties embodying these humane principles on broad lines without in any way imperiling our interests or honor will have his constant encouragement.

The Paris Exposition.

A liberal appropriation is bespoken in order that the United States may make a creditable exhibit at the approaching Paris exhibition, in which the people have shown an unprecedented interest.

The Nicaragua Canal.

The Nicaragua canal is spoken of as of large importance to our country and the promise is made of further reference to the subject when the report of the commission now at work is sent to congress.

Our Merchant Marine.

The president earnestly urges the improvement of our merchant marine, the inferiority of which, he says, is humiliating to the national pride.

Keep Down Appropriations.

In conclusion, the president admonishes congress not to encourage increase of the estimates for the maintenance of the government. They would admit of decrease in many branches, and it is a commanding duty to keep the appropriations within the receipts of the government and thus avoid a deficit.

Newspapers may soon be used in the Kansas City public schools as textbooks. At the regular meeting of the local school board, J. M. Greenwood, superintendent of schools, instructed the principals to keep up an interest in current events and to encourage the reading of good newspapers. "I will introduce a system whereby newspapers will be used as text-books a little later," said Mr. Greenwood to a reporter. "I am getting the teachers prepared for it now."